

R 292045Z JAN 09
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 4873
DEPT OF COMMERCE WASHINGTON DC
DEPT OF ENERGY WASHINGTON DC
DEPT OF TREASURY WASHINGTON DC
NSC WASHINGTON DC
INFO ALL US CONSULATES IN MEXICO COLLECTIVE

UNCLAS MEXICO 000262

STATE FOR WHA/MEX, WHA/EPSC
STATE FOR EEB
USDOC FOR 4320/ITA/MAC/WH/ONAFITA/GWORD
TREASURY FOR IA
ENERGY FOR WARD, LOCKWOOD AND DAVIS

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [ETRD](#) [ENRG](#) [ELTN](#) [EAIR](#) [PGOV](#) [SENV](#) [MX](#)

SUBJECT: Mexico Economic Weekly - January 30

11. (U) The Mexico Economic Weekly supplements individual reporting from the Consulates and the Embassy Mexico Economic Section to provide a sense of ongoing trends. Please contact Adam Shub (shubam@state.gov) or Sigrid Emrich (emrichs@state.gov) for questions or comments about this report.

12. (U) Table of Contents:

TRADE AND INVESTMENT:

FORMAL SECTOR UNEMPLOYMENT RISES IN TIJUANA - Tijuana

SAN DIEGO CHAMBER OF COMMERCE CONTINUES TO PROMOTE "PROJECT SMART BORDER" - Tijuana

TIJUANA AIRPORT RECORDS LOSSES IN 2008- Tijuana

USED VEHICLE IMPORTS FALL- Mexico City

HEADLINE INFLATION BEGINS TO RECEDE- Mexico City

"NEW BRIDGE HOURS ACCOUNT FOR ONLY 1 PERCENT OF TOTAL CROSS-BORDER COMMERCIAL TRAFFIC" - Ciudad Juarez

ENERGY:

GAS PRICES REMAIN CONTROVERSIAL IN BORDER REGION - Tijuana

CALDERON REGRETS LIMITED ENERGY REFORM - Mexico City

DELAYS IN BIOFUELS PROJECT DEVELOPMENT - Jalisco

13. (U) FORMAL SECTOR UNEMPLOYMENT RISES IN TIJUANA: Figures from the National Institute of Statistics and Geography (INEGI) show Tijuana's unemployment rate reached 4.1%, up from lows of 1.5-2% in recent years. Unemployment at the state level hovers around 3.5%. While twenty-four new industrial plants began operations in Tijuana in 2008, this was not enough to offset the closure of six plants and the slowdown in production in many other maquilas. The state's Secretary of Economic Development estimates the city lost 25,000 industrial jobs between November 2007 and November 2008, with the sharpest drop occurring in the months of October and November 2008. City and state officials are hopeful that two new openings expected this year, a Samsung plant which could employ 2,900 and a recycling plant which may hire 1,900, may help reverse this trend. It is important to note that these figures reflect only formal sector employment. Post will host an economic roundtable on the state of the maquila industry February 11. (Tijuana)

14. (U) SAN DIEGO CHAMBER OF COMMERCE CONTINUES TO PROMOTE "PROJECT SMART BORDER": At the January monthly meeting of the Tijuana

Economic and Industrial Association, Malin Burnham, an active member of the San Diego Chamber of Commerce again presented his "Project Smart Border" plan that the Chamber ambitiously claims will reduce border wait times at the San Ysidro POE to fifteen minutes by 2010. Burnham's plan has been presented at many local meetings before and during the Chamber-sponsored 2008 lobbying trip to Washington. It includes vague ideas for a "smart" border crossing card, stacked lanes, and tolls. Though some of these ideas are already incorporated in existing government plans for updates to the regions ports (GSA will add stacked booths to San Ysidro sometime in 2010, most lanes will shortly be using RFID technology to read machine-readable passports and Border Crossing Cards, and there are some plans afoot to use tolls at the Otay II port when it is eventually constructed), but the "Smart Border" plan's timeline does not match up with either the U.S. or Mexican governments current arrangements. (Tijuana)

15. (U) TIJUANA AIRPORT RECORDS LOSSES IN 2008: Due to the weakening economy, the closure of four national airlines, and the high price of diesel, the Tijuana International Airport recorded 16% fewer passengers and 15% fewer flights in 2008 than in 2007. The slower economy has also impacted the San Diego Airport, which, though near capacity, recorded fewer passengers in 2008. It is unclear if these numbers will impact the proposed cross-border air terminal intended to relieve congestion at the San Diego Airport. A group of Mexican and U.S. investors has already purchased land on the U.S. side for this project. (Tijuana)

16. (U) USED VEHICLE IMPORTS FALL: IN 2008, more than 690,000 used cars were imported from the U.S. and Canada under the decree issued in 2005. However, this number represents a decline of 36% compared to the more than one million cars imported in 2007. From January thru March 2008, the number of imported vehicles rose 61%, but when the Executive issued a new decree in February, this number dropped by an average of 24%. In December 2008, the Executive issued a new decree to comply with NAFTA's provisions. One of the requirements to import or put an imported vehicle in order will be to present the certificate of origin. From 2005 to date, 3.5 million cars have been imported. According to automobile dealers, the importation of used units have altered the sales and prices of semi-new and new cars. For every new vehicle, five used cars are being sold in Mexico. (El Financiero, 19)

17. (U) HEADLINE INFLATION BEGINS TO RECEDE: During the first half of January, annual inflation fell to 6.36% from 6.49% registered in the second half of December on lower energy and produce prices. It is expected that the freeze in gasoline prices and the reduction of heating gas prices recently announced by President Calderon will reduce inflation, giving the central bank more room to relax its monetary policy. Government-administered prices and processed food continue to put pressure on inflation. Another factor of concern on inflation for most analysts is the peso depreciation, since the private sector would likely pass the increased costs on to the consumer. (Mexico City)

18. (U) NEW BRIDGE HOURS ACCOUNT FOR ONLY 1 PERCENT OF TOTAL CROSS-BORDER COMMERCIAL TRAFFIC: Almost three months after the U.S. Customs and Border Protection (CBP) and Mexico's Servicio de Administracion Tributaria (SAT) partnered to expand the hours of service for commercial traffic at the Ysleta International Bridge in El Paso/Ciudad Juarez, cross-border commercial traffic during the extra hours remains slow. The new schedule, which began on November 3, 2008, opens commercial cargo lanes to 24 hour traffic from Monday through Friday. The pilot program has coincided with the sharp decline in economic activity in the US and Mexico, particularly in the manufacturing sector. According to reports in the Juarez press made by Manuel Sotelo Suarez, the President of the Ciudad Juarez Commercial Transportation Association (Asociacion de Transportistas de Ciudad Juarez), commercial shipments from the maquila sector in Juarez declined approximately 30 percent in 2008. In a conversation with a Consulate Officer, the El Paso Assistant Port Director for CBP, Norman Bebon, concurred that northbound commercial traffic fell significantly in 2008, with the sharpest fall occurring late in the year. For example, in November CBP officers processed 13,825 fewer trucks through El Paso ports of entry than the previous month (67,008 in October down to 53,183 in November). With respect to the new hours of operation, Mr. Bebon commented that cargo traffic during the new expanded hours - i.e., in the late evening and early

morning - has accounted for only 1 percent of the total commercial traffic flow. The dearth in commercial traffic during off-peak hours may be attributed both to a poor macroeconomic environment and to limitations in local logistical services capacity, including lack of available storage warehouses in El Paso and Juarez, which have not yet adjusted their schedules to accommodate the 24 hour schedule. (Ciudad Juarez)

ENERGY:

¶9. (U) GAS PRICES REMAIN CONTROVERSIAL IN BORDER REGION: The state government of Baja California felt compelled to take out full page ads in local newspapers to assuage public anger due to the January 12 order by the Finance Ministry increasing the price of Premium and Magna gas in the state, despite President Calderon's earlier announcement that gas prices would be frozen as part of the economic recovery plan. Baja Governor Millan is at pains to explain that the national "freeze" in prices included exceptions for the border region, where prices are still below those of the interior of the country, even after this week's increase. He also explained that his administration would monitor prices to ensure they do not exceed prices on the international market. (Tijuana)

¶10. (U) CALDERON REGRETS ENERGY REFORM WAS LIMITED: In a speech delivered January 23 to inaugurate wind power parks developed by two companies -Iberdrola and Cemex- in Oaxaca, President Calderon regretted the limited scope of the energy reform approved by the Congress last year. In particular, Calderon complained the denial to open the door to private investment to build refineries. Had the Congress approved the participation of the private sector, many refineries could have been built at the same time. Due to the lawmakers' denial, the government will only have money to build refineries on a one-by-one basis. Back in October, Calderon had publicly praised the consensus achieved by the political parties to pass the reform. During the inauguration of the Ecological Park, Calderon pledged to continue working on human development while protecting the environment. Calderon also alerted by the oil decline and the importance renewable energy will have in the future. (Mexico City)

¶11. (U) DELAYS IN BIOFUELS PROJECT DEVELOPMENT: In Jalisco, which was to be the first state to use ethanol as an auto fuel in Mexico, construction of biofuels plants has now been delayed to the end of 2010. Construction was supposed to have begun in the first quarter of 2010. Increases in the value of the dollar and the euro against the peso have impacted the cost of these plants in Mexico, as the machines needed for biofuels production are mostly sold in those currencies. A lack of credit available to these projects has also slowed their progress. The industry in Mexico is also waiting for the publication of a set of regulations within their Law of Bioenergies, which should set the reference price of ethanol in Mexico. Despite these setbacks, the President of the Jalisco Agribusiness Council, Mauro Jimenez, still recommended that the authorities continue expanding biofuels project planning for the future, an indication of the enthusiasm in the state for this industry.

BASSETT